

US EPA ARCHIVE DOCUMENT



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A Thrill Packed Introduction To State Public Utility Commissions



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NARUC & Grants & Research

- NARUC members are the State PUCs
- G&R Dept. addresses research and facilitates dialogue on key questions facing Commissions
- 17 current projects covering infrastructure, environment, regulatory design, finance, security and other issues for the gas, water, electric, telecom sectors
- Demand-side & Clean Energy plays some role in about 1/2 of our projects

Federal Funders: EPA, Dept. of Energy, Dept. of Homeland Security

Partnerships with FCC, NCS, FERC, private sector, non-governmentals



Disclaimer

- These are opinions, not NARUC policy, nor policy of its members.
- There are 50 states + DC, with over 200 Commissioners. So there are at least 201 perspectives on everything, so I've had to be general.
- Everything will apply to some state, but there are exceptions to everything in here in some state too.



What is a Public Utility Commission?

- A quasi-judicial panel that sets the rates, terms, and conditions for the provision of essential services in the regulated utility sectors
 - (electric, gas, water, telephone, and sometimes transportation, ports, banks, petroleum, etc etc.)
- A commission has 3-7 members, staggered terms, bipartisan representation, appointed by Governors, Legislatures, or directly elected
- Focus on transparency, accountability, public participation, due process

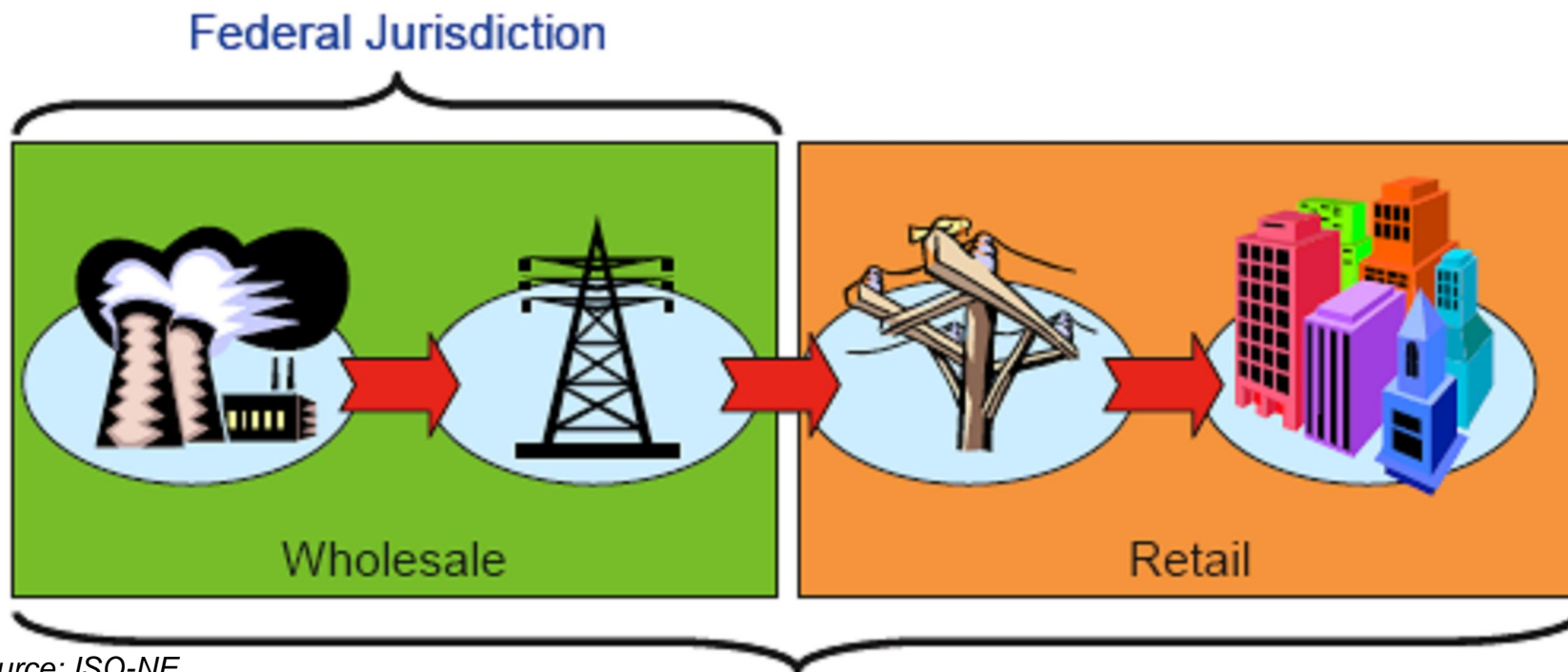


IOUs, Coops, and Munis

	Investor-Owned	Publicly Owned	Cooperatives	Total
Number of Organizations	220	2,000	930	3,150
Number of Total Customers	102 m	20 m	17 m	140 m
Size (median number of customers)	400,000	2,000	12,500	
Customers, % of total	73%	15%	12%	
Revenues, % of total	76%	14%	10%	
kWh sales, % of total	74%	16%	10%	



Federal & State Jurisdiction



Source: ISO-NE

State Jurisdiction – Facility Siting, Distribution, Retail Rates

Who needs a mnemonic?
FERC jurisdiction is over “sale for resale”*

* Who doesn't know what a mnemonic is?

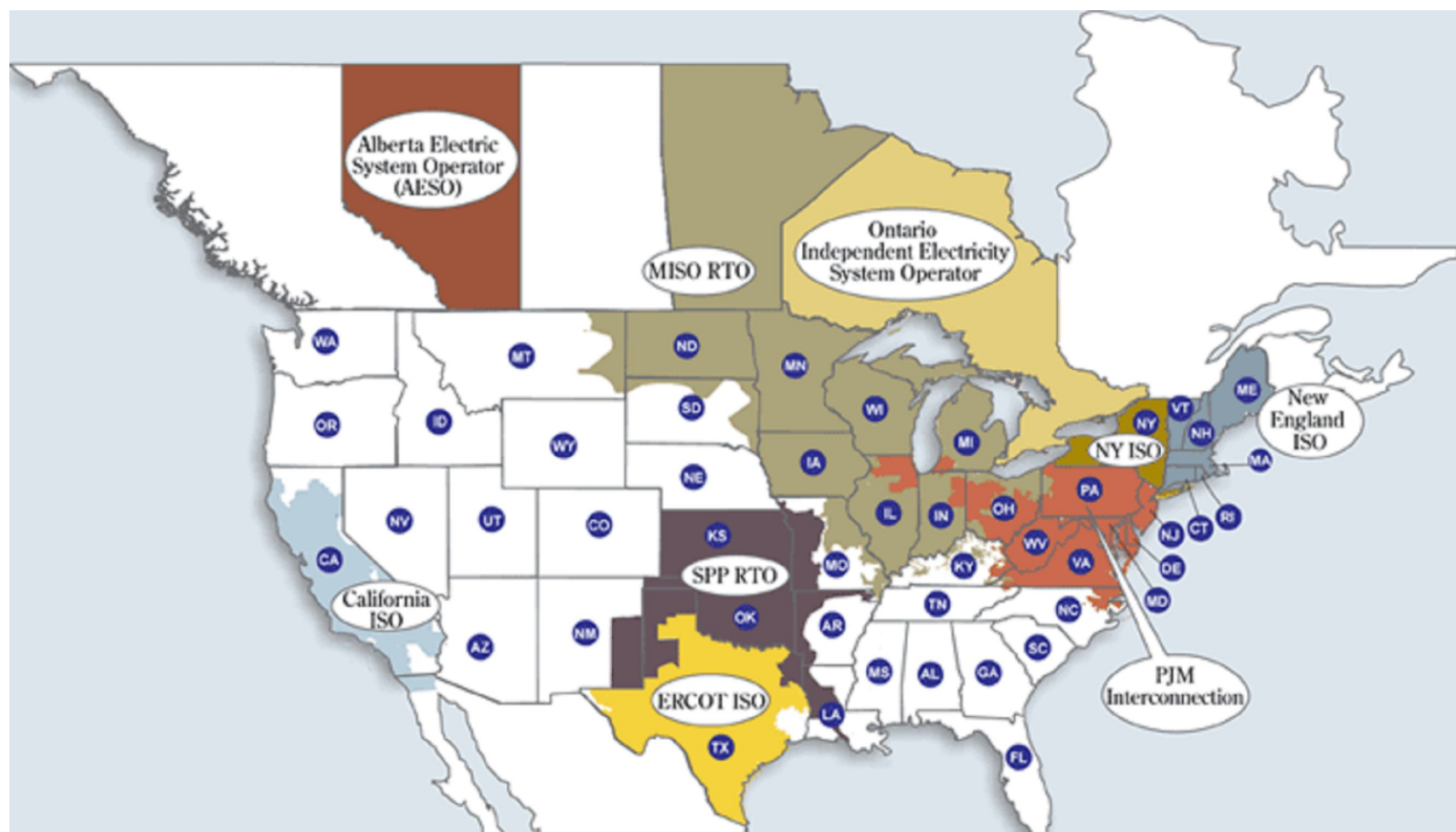
The map displays the following distribution of electricity restructuring status by state:

Status	States
Not Active	Alaska, Arkansas, Colorado, Connecticut, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New York, North Carolina, North Dakota, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming.
Active	Alabama, Arizona, California, Hawaii, Mississippi, Alabama, Alaska, Arkansas, Colorado, Connecticut, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New York, North Carolina, North Dakota, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming.
Suspended	Nevada, New Mexico, New York, North Carolina, North Dakota, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming.

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RTOs



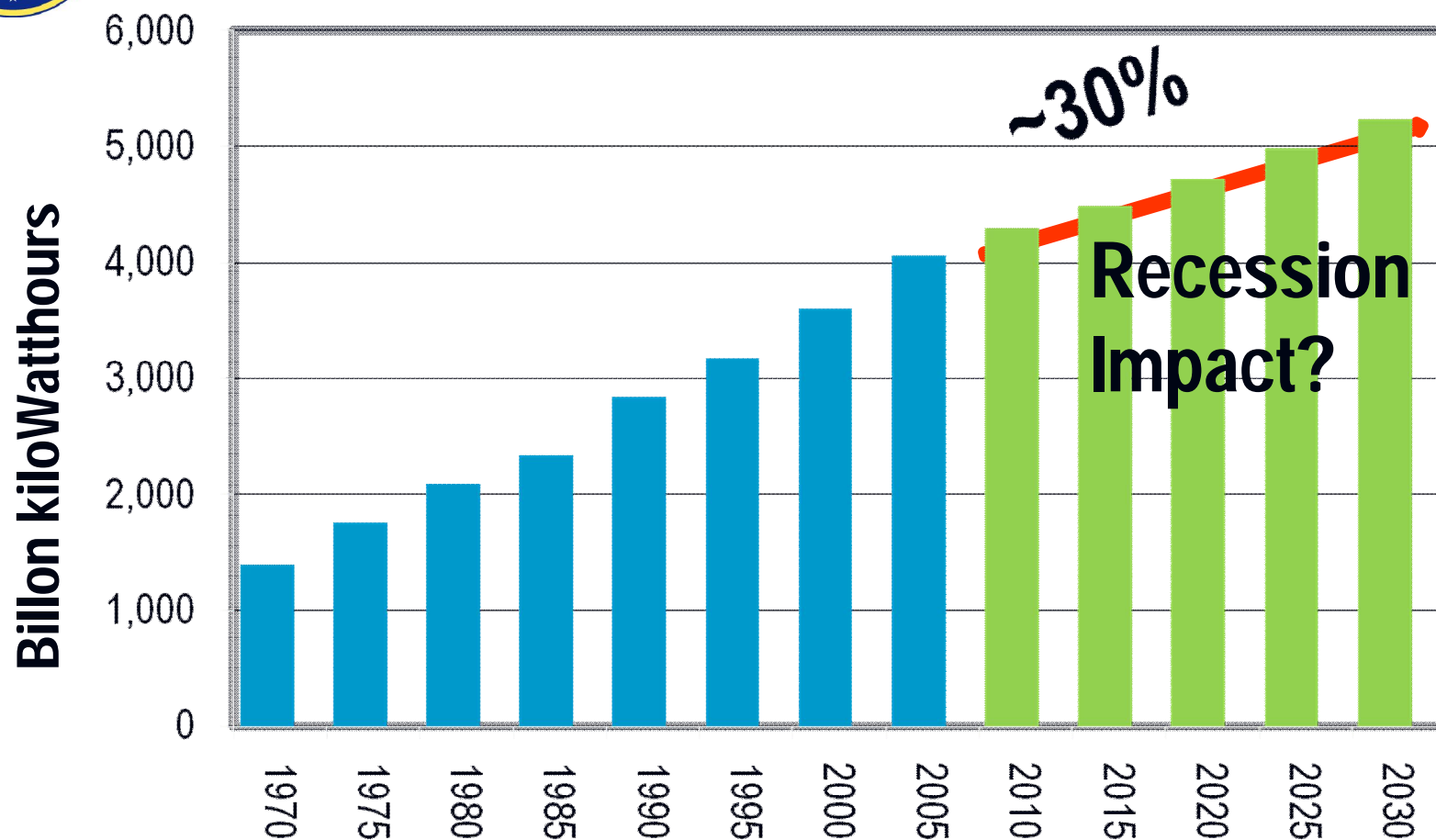


Commission Activities in Electricity

- Set the rates, terms, and conditions of monopoly utility services
- Ensure reliable, affordable, clean electricity
- Specific activities:
 - Planning
 - Siting
 - Cost allocation and cost recovery
 - Other stuff



Reliable:



Sources: U.S. Department of Energy, Energy Information Administration, *Annual Energy Review 2006* and *Annual Energy Outlook 2008 Early Release*

*Electricity demand projections based on expected growth between 2006-2030

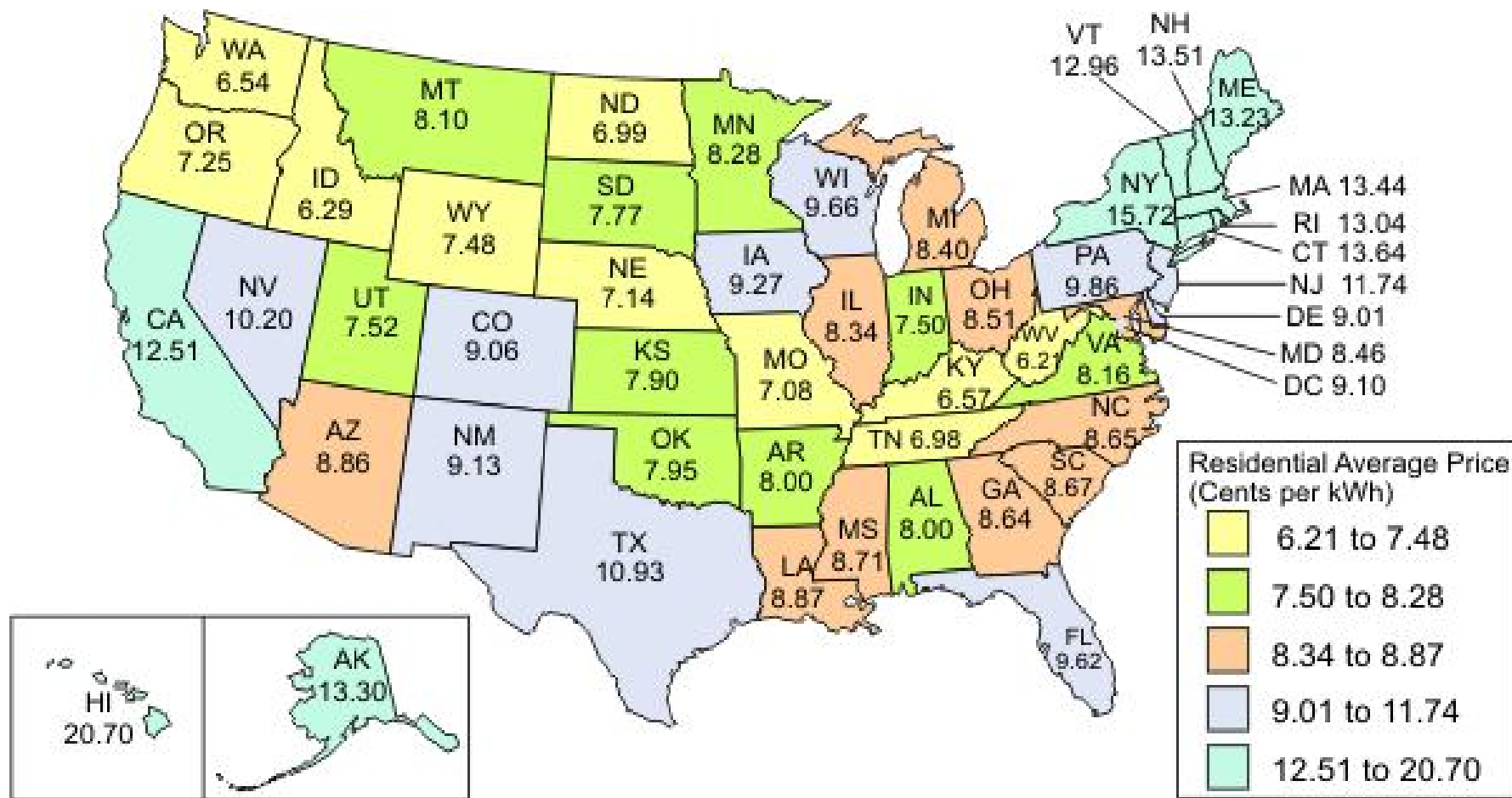


Reliability

- Standard setting
 - Technical: NERC
 - Resource adequacy
 - Safety & security
- Review and approve plans
- Regular updates (annual or otherwise)
- Penalties for non performance; incentives for high achievement

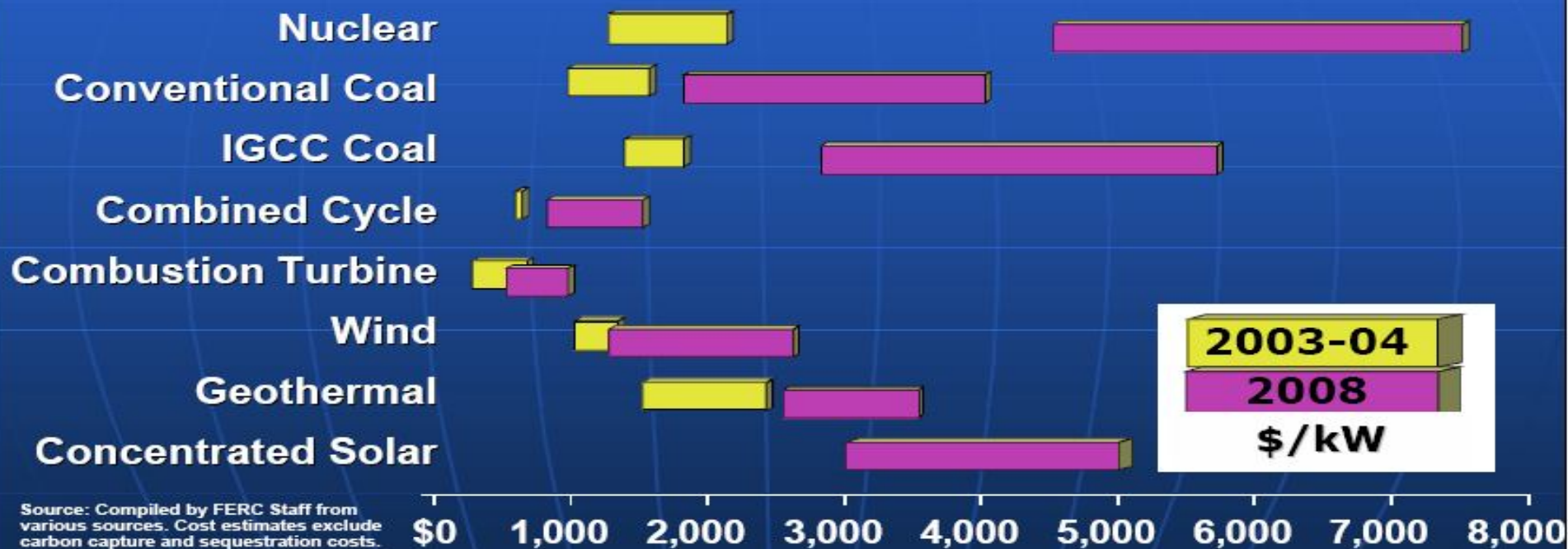


Affordable:





Estimated Cost of New Generation



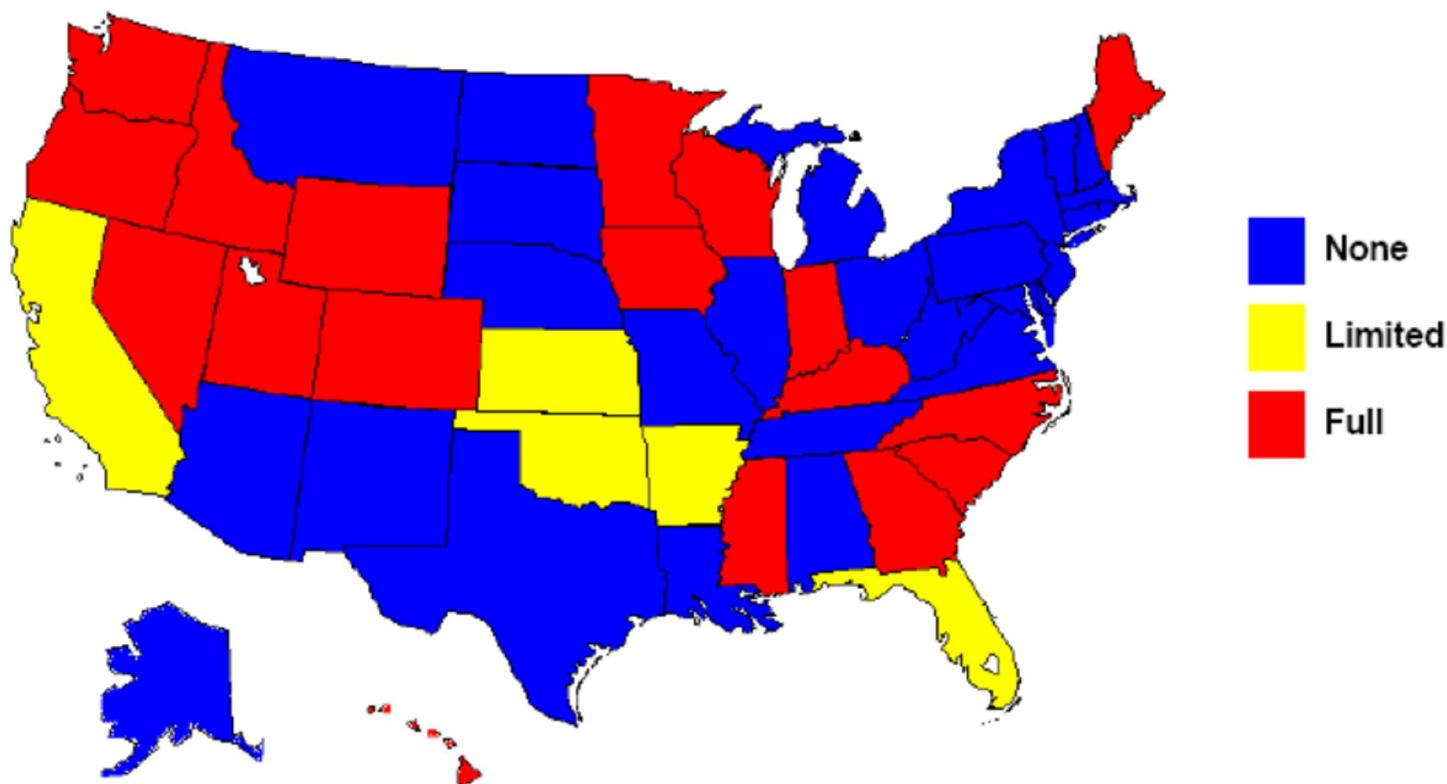
Per Eric Holdsworth, EEI

April 2010

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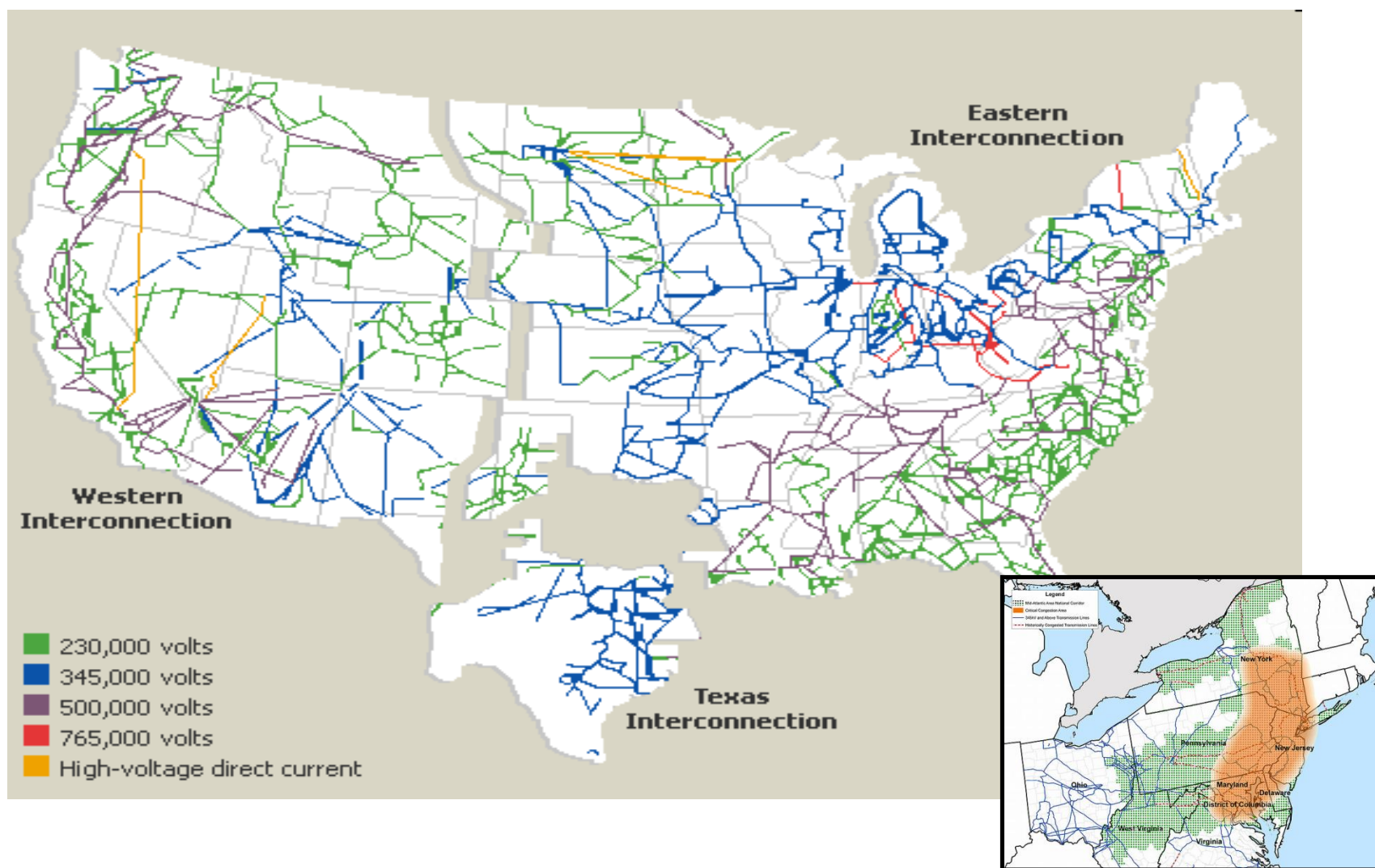
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- IRP evaluates scenarios and chooses resource mix that has best reliability, affordability, and other desired attributes
- Even without IRP, portfolio management is gaining ground





Transmission Planning



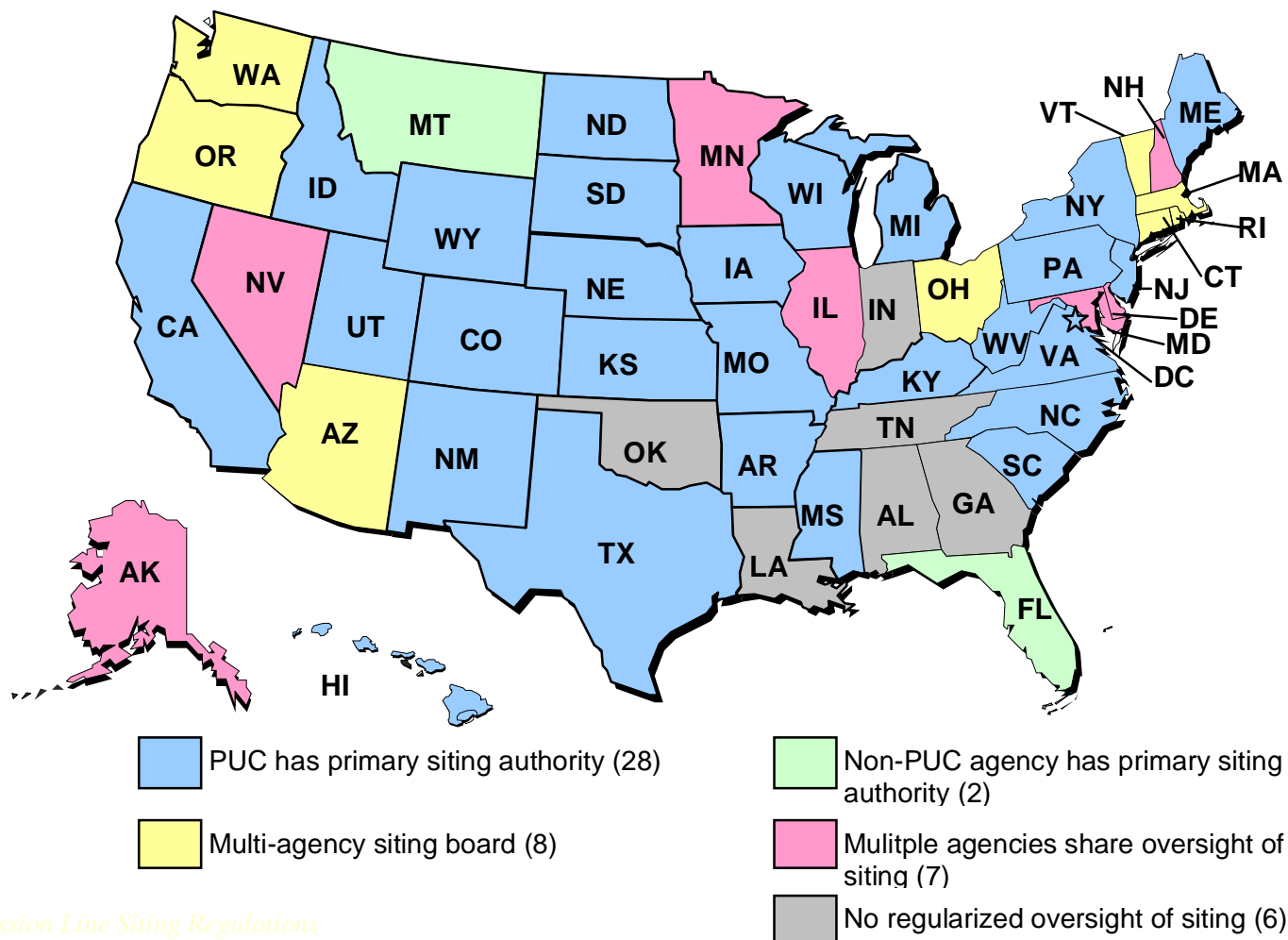


Infrastructure Siting

- Several Commissions have specific Siting Boards
- All commissions have some role in siting, even if indirect
 - Generation
 - Transmission
 - Inside the “city gates” gas infrastructure
 - Demand-side programs
- Local role in some states
- Quasi-judicial proceedings
 - Evidentiary hearings, site visits, conditional approvals
- Coordination among states
- Backstop interstate siting authority



Transmission Siting Authority by State



Source: EEI, Transmission Line Siting Regulations
2001, updated by J. McGarvey



Cost recovery

- The regulatory compact is that a utility will have a monopoly and will have a hard time going broke because the rates are set to cover cost of service and revenue requirement
- A description of a rate case
- Warren Buffet: “This should be a good business to be in, but not a Great business.”
- Cost recovery as a balance between regulatory certainty and a risk-based incentive for innovation
- Efficiency and decoupling and revenue, oh my!

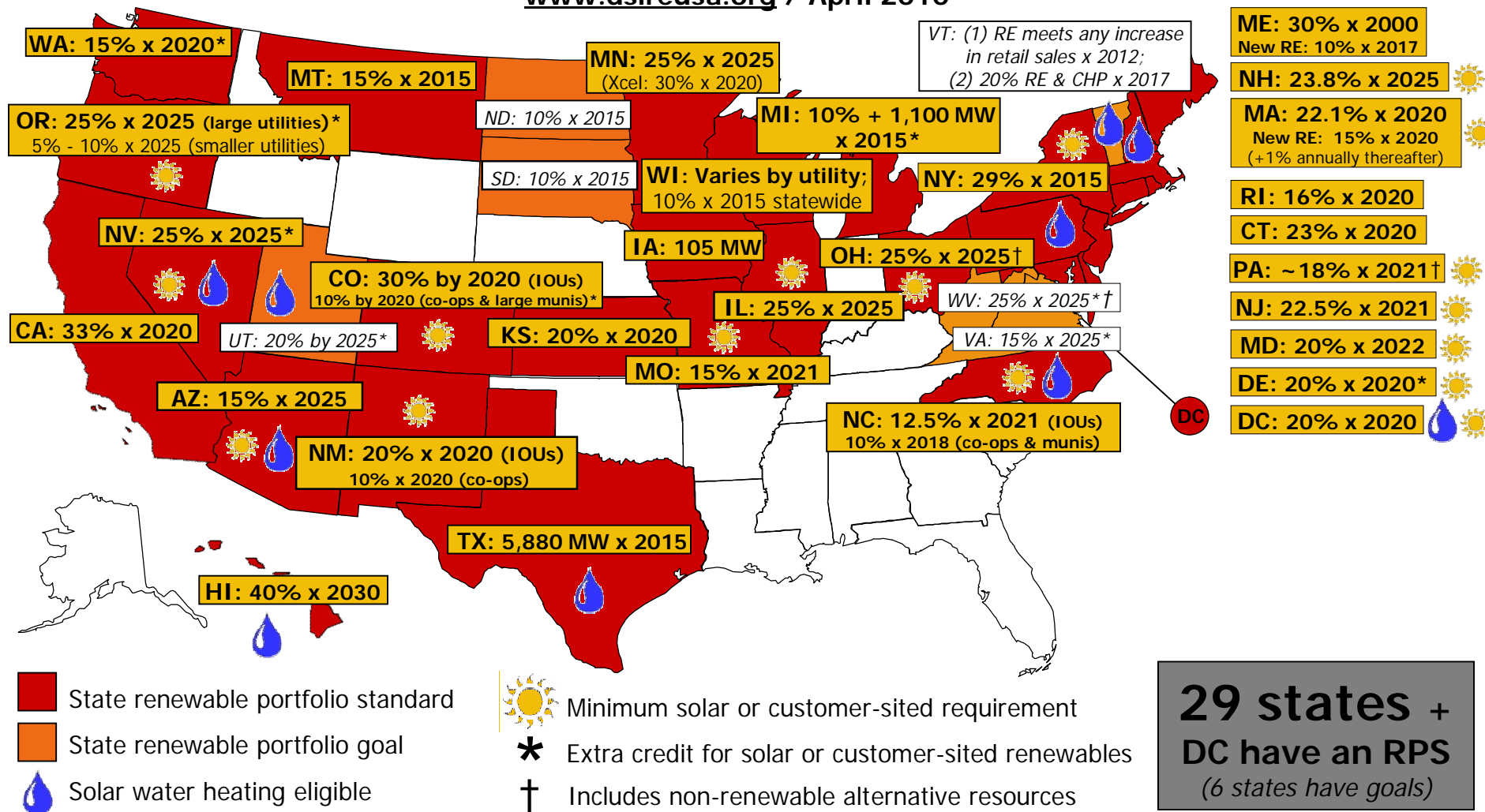


Administer other programs

- Gas
- Managing RPS
- Managing efficiency programs
- Managing climate- and enviro-related programs (RGGI, loading orders, etc.)
- Overseeing public benefits funds
- Emergency preparedness & interdependencies
- Coordinate with other agencies

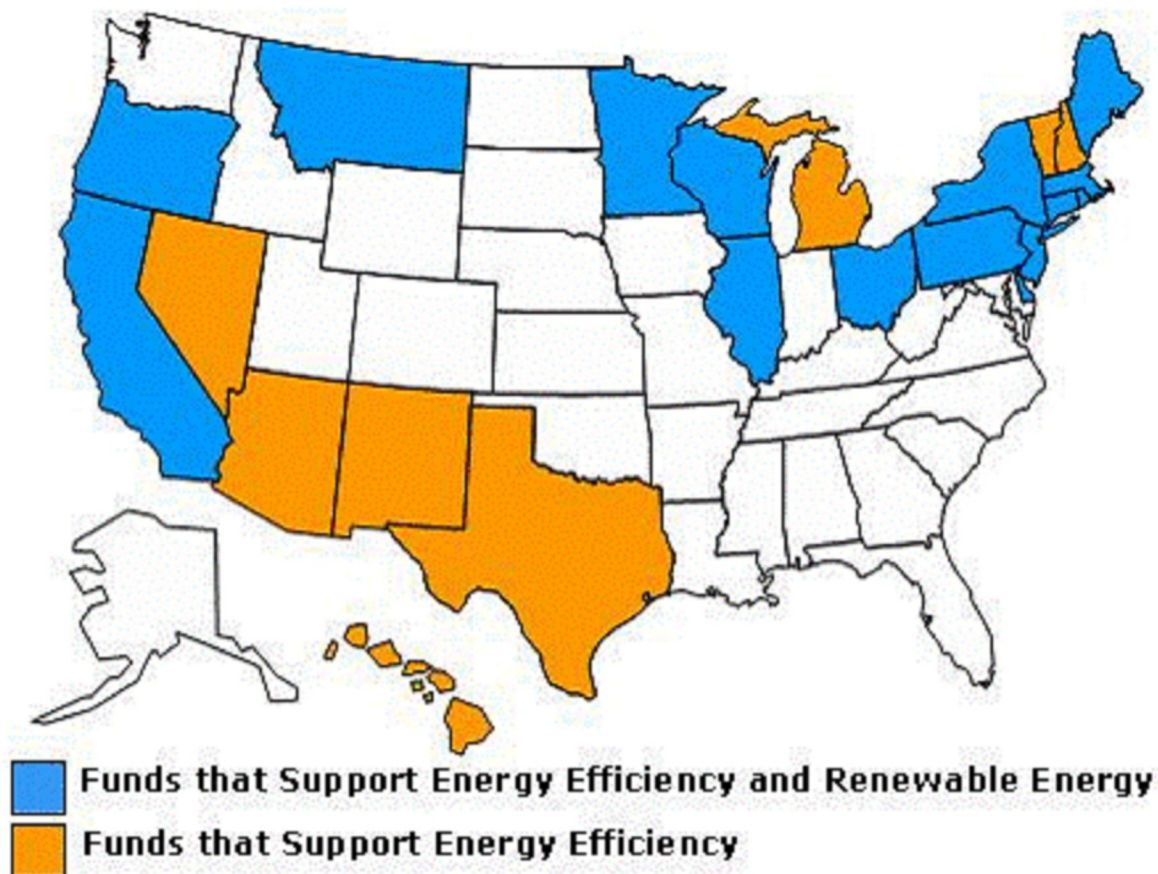
Renewable Portfolio Standards

www.dsireusa.org / April 2010





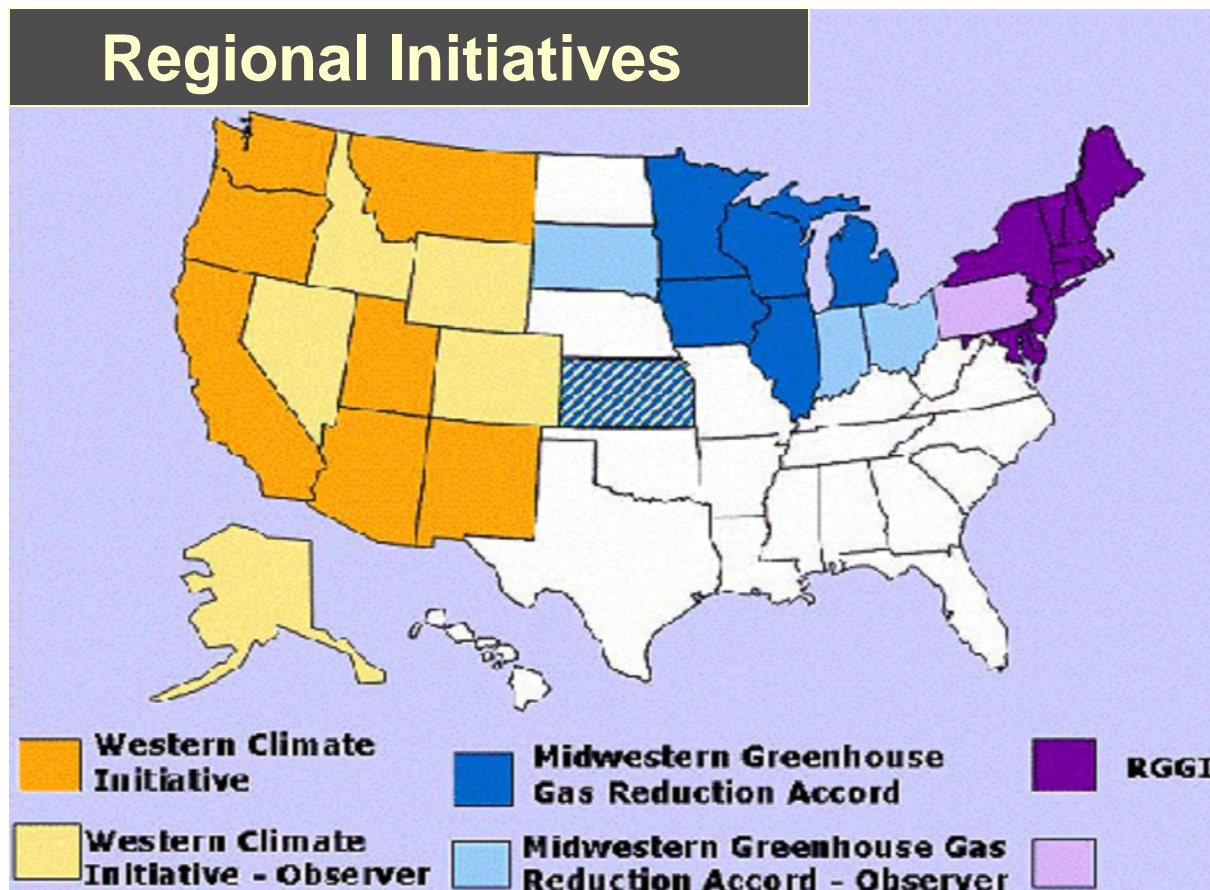
States with System Benefits Funds



Source: Pew Center on Global Climate Change



Climate Policy by State



Source: Pew Center on Global Climate Change



Challenging Reliable, Affordable, Clean

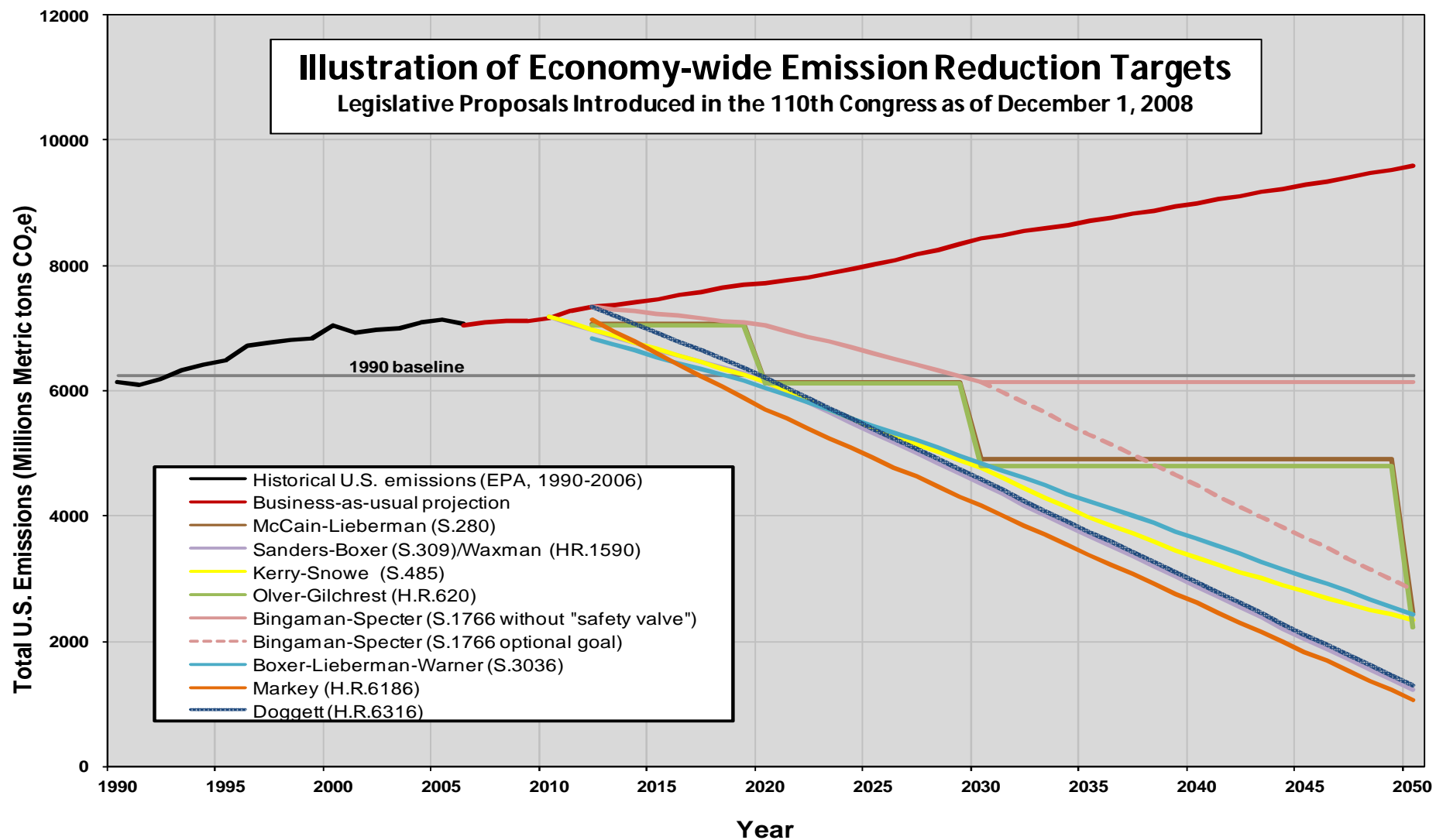
- Regulators care about resource adequacy first and foremost, demand is growing and new supply is tough to get.
- The “golden era” of declining prices is probably over, and some big bills are coming due.
- Climate seen as a revolution-sized challenge facing the sector. Is it a trumping constraint or a third, equal factor in review?

“We cannot solve the most serious problems using the same thinking that created them.”

- Albert Einstein



Climate Legislation





The Many Charms Of Efficiency

Costs less than a power plant!
Pays you back – now with local benefits!
NIMBY-proof!
Terrorist-proof!
Hurricane-proof!
Hugo Chavez-proof!
Easy to install: no wires or pipes!
100% NOx and SOx-free!
Legal everywhere, and Yucca-free!
Bird / Bat-friendly!
Good-looking!
More Popular Every Day!





Conclusions

- State regulators play a broad role with wide-ranging responsibilities
- Regulatory policy has been an important driver for choices made about the electric system we have today
- The electricity system is changing and regulatory policy may need to change with it
- All supply choices are important to consider
- Energy efficiency appears to be the “no regrets” choice no matter what supply choices we make



I Will Now Confront Your Most Challenging Questions!



Or! Later if you prefer!

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